

Organizing for successful change management: A McKinsey Global Survey

Executives say energy and communication are essential for a successful business transformation.

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The most successful transformations of business performance occur when executives mobilize and sustain energy within their organizations and communicate their objectives clearly and creatively, according to a new online survey conducted by *The McKinsey Quarterly*. Executives further improve their chances for success if they significantly raise employee expectations, actively change people's behavior, and engage the attention of individuals at all levels of the organization, from top management to the front line.

These and other insights into the change-management process emerge from the survey, in which executives were invited to assess and characterize one transformation they had been involved in during the previous five years. For this purpose, we defined a transformation as a coordinated program, in companies or business units, that typically involves fundamental changes to the organization's strategy, structures, operating systems, capabilities, and culture.

Why change?

Transformations come in various shapes. Cost cutting, not surprisingly, is a consistent theme, with more than half of the respondents agreeing that it was a major goal. Half say their company's main objective was moving from good performance to great performance, with 41 percent observing that their company's transformation was the result of a restructuring: merging, splitting up, or divesting a part of the organization. Only 27 percent of the executives were involved with turning around a crisis situation—perhaps the best-known and most headline-grabbing context for change.

Success is the norm

We asked executives to judge the success of the transformation in two ways. One was to gauge the company's subsequent performance, such as its profitability, return on capital employed, market value, and the like. The other was to measure the extent to which the process laid a foundation for sustaining corporate health over the longer term—through, for example, upgraded capabilities, closer relationships with customers or suppliers, and a positive shift in organizational culture. Respondents are a little more positive about the first yardstick, with 38 percent saying that the transformation was "completely" or "mostly" successful at improving performance, compared with 30 percent similarly satisfied that it improved their organization's health. Around a third declare that their organizations were "somewhat" successful on both counts. About one in ten admit to having been involved in a transformation that was "completely" or "mostly" unsuccessful.

Transformation takes energy

When we compare the subsequent responses of the 38 percent who characterize their company's transformation as "completely" or "mostly" successful (that is, those who are the top performers) with the entire sample, a striking observation comes to light. Whereas around 30 percent of all surveyed executives involved in a transformation say that their organization was

"completely" or "mostly" successful at mobilizing energy, this number jumps to more than 55 percent when the responses of only the top performers are included. With regard to sustaining that energy, 57 percent of top performers, compared with 28 percent overall, say that their organization was "completely" or "mostly" successful. The contrast between top and bottom performers is even greater.

Energy boosters

Asked about the mechanisms the executives used to mobilize and sustain energy, they strongly emphasize the impact of clear, comprehensive, and compelling communication. A majority of all respondents say their organization sought to define clear goals for the next one to two years and communicated the transformation as a compelling story, and a little under half say that their company offered an inspiring view of a better long-term future. Again, the top performers are markedly more enthusiastic about some of the factors that underpin these themes. Three in four, for instance, say that the setting of clear goals was a part of their program. Two-thirds of those respondents say that their company integrated the goals of the transformation program into processes such as budgeting, performance management, and recruiting. And nearly three in five of them say that successes were acknowledged regularly and publicly.

The ingredients of success

Further correlations can be made between executives' reports of success in their transformation efforts and specific features of their transformation programs. Respondents with the most successful transformations reckon that their company was conspicuously more effective than the others at raising expectations about future performance, addressing short-term performance, engaging people at all levels of the organization, including a clear and coordinated program design, and making the change visible—through, say, new IT tools or physical surroundings. These results reinforce our conviction that confronting these challenges significantly increases the odds for successful change.

What transformation feels like

The survey, meanwhile, sheds new light on the nature of the transformation experience for those involved. More than 80 percent of the executives agree that it changed the way they work, though 36 percent of that group say that it did so in ways that differ from the original intentions of the change program. Those affiliated with top-performing organizations are significantly more likely to say they changed in ways that line up with the program's original goals.

Emotions play a leading role in a performance transformation. Overall, the respondents report negative and positive moods in roughly equal proportions, with anxiety (mentioned by 46 percent of all respondents) as the most common negative feeling, well ahead of confusion, frustration, fatigue, and resistance. Among the positives, a sense of focus, enthusiasm, and feelings of momentum occur roughly equally. Not surprisingly, more of the top performers report experiencing the positive emotions—especially focus and enthusiasm.

Notes

The McKinsey Quarterly conducted the survey in June 2006 and received 1,536 responses from a worldwide representative sample of executives at publicly and privately held businesses across a full range of industries, as well as nonprofit and governmental organizations.

About the Contributors

*Contributors to the development and analysis of this survey include **Marc Vinson** and **Caroline Pung**, consultants in McKinsey's London office, and **Javier Muñoz González-Blanch**, a consultant in the Madrid office.*

